



## USFRCS MEMORANDUM NO. 60

**TO:** Arizona Charter School Administrators;  
Administrators of School Districts Sponsoring Charter Schools

**FROM:** Magdalene D. Haggerty, Office of the Auditor General  
Vicki G. Salazar, Arizona Department of Education (ADE)

**DATE:** September 16, 2005

**SUBJECT:** Fiscal Year 2004-05 Annual Financial Report, and Classroom Site Project and Full-Day Kindergarten Project reporting forms (Supersedes USFRCS Memorandum No. 54)

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Arizona Revised Statutes (A.R.S.) §§15-183(E)(6) and 15-904 require schools to prepare and submit an annual financial report (AFR), in electronic format, by October 15. A.R.S. §15-904 does not provide for an extension of time for submitting the AFR when October 15 falls on a weekend. A.R.S. §15-904(A) requires the Auditor General in conjunction with ADE to prescribe the AFR format to be used by charter schools. The Auditor General and ADE developed the AFR format in Excel, to incorporate the information schools are statutorily required to include in their AFR. This format will assist schools in complying with AFR preparation and submission requirements. ADE will only accept FY 2004-05 AFR forms submitted electronically using the Excel forms with the 9/05 revision date. Schools may download a copy of the Excel forms from the Auditor General's Web site at [www.auditorgen.state.az.us/forms\\_charter.htm](http://www.auditorgen.state.az.us/forms_charter.htm) or ADE's Web site at [www.ade.az.gov/schoolfinance/forms/budgets](http://www.ade.az.gov/schoolfinance/forms/budgets).

Laws 2004, Chapter 340 eliminated the requirement for charter schools to include school-by-school information on the AFR for FY 2004-05 and FY 2005-06. As a result, the school-by-school summary page has been eliminated.

A.R.S. §15-977(E) requires charter schools to report expenses from the Classroom Site Project by campus and prepare a narrative summary of results of Classroom Site Project usage at the school level. These two report forms, the Classroom Site Project Expenses by Campus and Narrative Results Summary, are not part of the AFR as prescribed by A.R.S. §15-904, but they have been included and schools should submit them with the AFR, as they are required to be filed with ADE by November 15.

A.R.S. §15-901.02(G) requires charter schools that receive monies from the State Full-Day Kindergarten Fund to report certain information related to the school's full-day kindergarten program at the campus level. Charter schools should use the Full-Day Kindergarten Project Revenues\Expenses by Campus and Narrative by Campus forms to report this information. These report forms are not part of the AFR as prescribed by

A.R.S. §15-904, but they have been included and schools should submit them with the AFR by October 15 to ADE.

**Schools exempted from all or part of the *Uniform System of Financial Records for Arizona Charter Schools* (USFRCS) must still file an AFR in the prescribed format.**

**Charter sponsors will be notified of all charter schools which operated in FY 2004-05 and did not submit an AFR for FY 2004-05 by October 15, 2005. The sponsor may request that ADE withhold up to ten percent of the school's monthly apportionment of state aid pursuant to A.R.S. §15-185(H).**

Charter schools sponsored by school district governing boards must complete a charter school AFR in conjunction with the sponsoring district. A school district administrator must approve and sign each charter school AFR.

The completed forms must be uploaded by October 15, 2005, via the Common Logon on ADE's Web site at [www.ade.az.gov/commonlogon](http://www.ade.az.gov/commonlogon). For password information or help, please contact ADE's Support Center at (602) 542-7378 [outside the Phoenix area call, (866) 577-9636], or e-mail at [enterprise@ade.az.gov](mailto:enterprise@ade.az.gov).

The following instructions are provided only for those line items that need further clarification. The school should report all amounts to the nearest dollar. Information should not be entered in the shaded areas or protected cells. Formulas should not be changed or deleted unless specifically instructed to do so by the Office of the Auditor General or ADE.

All actual revenues, expenses, and account balances presented on the AFR must agree with the charter school's accounting records as of June 30, 2005. Revenue and expense account codes used in the AFR agree with the USFRCS Chart of Accounts. Expense budget amounts should be taken from the charter school's most recently revised or adopted budget, which has been submitted to ADE, for FY 2004-05.

Revenues must include cash receipts through June 30, 2005, and accrued revenues received after the end of the fiscal year. Examples of accrued revenues are cost reimbursement and entitlement programs, interest earned on investments, and FY 2004-05 classroom site project revenues.

Expenses consist of all expenses incurred during the fiscal year, including expenses for goods and services received on or before June 30, 2005, but not paid for by that date. Examples of items requiring such treatment are included in the USFRCS, pages VI-G-10 and 11.

## **GENERAL INFORMATION AND INSTRUCTIONS**

The AFR presents condensed financial activity (i.e., beginning and ending balances, revenues and expenses, and budget to actual comparisons of expenses for the fiscal year) of the charter school for comparison purposes. This information assists sponsors, school governing boards, administrators, ADE, legislators, other governmental agencies, and taxpayers in determining whether charter schools are meeting their stewardship responsibilities.

The AFR, and Classroom Site Project and Full-Day Kindergarten Project reporting forms are in six files.

1. afr05.xls includes the cover page and pages 1 through 8 of the AFR.
2. afr05-food service.xls includes the AFR page for food service information.
3. cspschool05.xls includes the Classroom Site Project expense summary.
4. cpsum05.xls includes the Classroom Site Project narrative summary.
5. fdkschool05.xls includes the Full-Day Kindergarten Project revenue/expense summary.
6. fdknarrative05.xls includes the Full-Day Kindergarten Project narrative.

### **USING THE ANNUAL FINANCIAL REPORT**

Grid lines have been turned off (Tools/Options/View) in order to make the lines used in the forms easier to see. Users may turn the grid lines back on without affecting the calculations or printing of the spreadsheet.

The charter school name, county, and CTDS number must be entered on the cover page of the AFR, as indicated. The number should not include any slashes, dashes, etc. This information will be automatically transferred to the other sheets in the file.

The spreadsheets will automatically perform mathematical calculations and bring forward certain amounts from one AFR page to another. Therefore, information can and should be entered only in unprotected cells. Users can move from one unprotected cell to another on a sheet by using the Tab key.

### **ANNUAL FINANCIAL REPORT**

The cells in the budget columns on the AFR contain formulas that will bring forward budget amounts from the FY 2004-05 budget forms (budget05.xls). The budget05.xls file for the most recently revised FY 2004-05 budget must be saved in the C:\CSFORMS subdirectory. Excel will ask the user to update information when the afr05.xls file is opened.

### **COVER PAGE**

All information on the cover page must be completed/updated when the AFR is printed out for the Governing Board to sign. In addition, charter schools sponsored by school districts must also have a school district administrator sign the cover page.

When the forms are submitted electronically to ADE, the school should record the date in the space provided on the cover page. Two school officials should sign the cover page where indicated and send a copy of the cover page to ADE at the following address:

ADE, School Finance, Bin 13  
1535 West Jefferson  
Phoenix, AZ 85007

## **PAGE 1, REVENUE**

Report all revenues received by the school on this page, including federal and state project revenues.

Charter schools sponsored by school district governing boards should report payments received from the sponsoring school district on line 5.

## **PAGE 2, FEDERAL AND STATE PROJECTS**

The total of budget and actual federal and state project expenses (project codes 1100 through 1499 on page 8) should be included on line 36. Schools should not include federal and state project expenses with other schoolwide project expenses on lines 1 through 35. The total of budgeted and actual expenses on line 36 should agree with the total of federal and state project expenses on line 31 of page 8.

## **PAGES 3 AND 4, CLASSROOM SITE PROJECT EXPENSES**

Page 3, Line 13. Total expenses for FY 2004-05 in the Classroom Site Project 1011—Base Salary cannot exceed 20% of the FY 2004-05 Classroom Site Fund distribution and any prior year's unexpended balance and interest earnings. Monies in this project can only be used for teacher base salary increases and employment-related expenses.

Page 3, Line 26. Total expenses for FY 2004-05 in the Classroom Site Project 1012—Performance Pay cannot exceed 40% of the FY 2004-05 Classroom Site Fund distribution and any prior year's unexpended balance and interest earnings. Monies in this project can only be used for performance-based teacher compensation increases and teacher employment-related expenses.

Page 4, Line 13. Total expenses for FY 2004-05 in the Classroom Site Project 1013—Other cannot exceed 40% of the FY 2004-05 Classroom Site Fund distribution and any prior year's unexpended balance and interest earnings. Monies in this project can only be used for the following maintenance and operation purposes: class size reduction, AIMS intervention and dropout prevention programs for instructional purposes (other than athletics) coded to function 1000; teacher compensation increases; teacher development; and teacher liability insurance premiums.

## **PAGE 5, INSTRUCTIONAL IMPROVEMENT PROJECT (IIP)**

Lines 1 and 2. Enter the amount of IIP monies spent on teacher compensation increases and class size reduction. Up to 50% of IIP monies received may be used for teacher compensation increases and class size reduction. Expenses for class size reduction must be appropriate expenses under function 1000—Instruction, excluding athletics.

Lines 3 and 4. Enter the amount of remaining IIP expenses. Remaining IIP monies must be used for the following maintenance and operation purposes: dropout prevention and instructional improvement programs including programs to develop minimum reading skills for students by the end of third grade.

## **PAGE 5, FULL-DAY KINDERGARTEN PROJECT**

The Full-Day Kindergarten Project accounts for monies received for full-day kindergarten. Monies were provided in FY 2004-05 to schools with a student count in which at least 90% of the pupils met the economic eligibility requirements established under the National School Lunch and Child Nutrition Acts. Monies received for full-day kindergarten and any interest earnings on the monies may only be spent for full-day kindergarten instruction.

Charter schools that received full-day kindergarten funding from the State must also complete the Full-Day Kindergarten Project Revenues/Expenses by Campus and Narrative by Campus reporting forms.

Line 29. Enter the total increase in capital assets purchased with full-day kindergarten revenues. This amount represents only the acquisitions made during the year.

## **PAGE 6, SUPPLEMENTARY INFORMATION**

### Current Assets and Current Liabilities (Section A)

Lines 1 and 2. Enter the beginning balances at July 1, 2004, and the ending balances at June 30, 2005, of current assets and current liabilities.

Current assets are resources that can be readily converted into cash within one year, or goods or services expected to be consumed within one year (i.e., unrestricted cash, marketable securities, accounts and grants receivable, inventory, or prepaid expenses). Current liabilities are obligations expected to be paid from current assets or transferred to income within one year (i.e., accounts payable, current portion of notes or capital leases payable or accrued payroll and related benefits).

Line 3. Enter the difference between total current assets and total current liabilities (line 1 minus line 2).

### Audit Services (Section C)

Record amounts expended in FY 2004-05 for audit services.

Line 1. Enter only the amount expended for audits of non-federal program monies.

Line 2. Enter the amount expended for audits of federal program monies.

Non-federal audit expense incurred in FY 2004-05 may be included on the budget work sheets for FY 2006-07 for reimbursement pursuant to A.R.S. §15-914. In order to receive reimbursement in FY 2006-07, non-federal audit expenses must be included in the FY 2004-05 AFR.

### Capital Acquisitions (Section D)

Enter the total increase in capital assets, by asset classification, recorded in the general ledger and on the capital assets list for the year ended June 30, 2005. These amounts represent only the acquisitions made during the year.

Line 1. Enter the total increase in land and improvements costing \$3,000 or more.

Line 2. Enter the total increase in buildings and improvements costing \$3,000 or more.

Line 3. Enter the total increase in equipment costing \$300 or more and having useful lives of one year or more.

Note: If the school's policy is to include furniture and equipment costing less than \$300 and land, buildings, and related improvements costing less than \$3,000 on the capital assets list, these items should also be included.

Line 4. Enter the total cost of construction in progress as of June 30, 2005. This amount is not recorded on the capital assets list until the project is completed. Therefore, it will not appear on the capital assets list as of June 30, 2005.

Do not include payments for capital acquisitions on page 2 of the AFR.

#### Investment in Capital Assets (Section E)

Enter the total cost, by asset classification, recorded in the general ledger and on the capital assets list as of June 30, 2005. These amounts represent the ending balances in the capital assets accounts.

Line 1. Enter the total cost of all land and improvements costing \$3,000 or more.

Line 2. Enter the total cost of all buildings and improvements costing \$3,000 or more.

Line 3. Enter the total cost of all equipment costing \$300 or more and having useful lives of one year or more.

Note: If the school's policy is to include furniture and equipment costing less than \$300 and land, buildings, and related improvements costing less than \$3,000 on the capital assets list, these items should also be included. The sum of lines 1, 2, and 3 should agree with the amount recorded on the school's capital assets list as of June 30, 2005.

Line 4. Enter the total cost of construction in progress as of June 30, 2005. This amount is not recorded on the capital assets list as of June 30, 2005.

#### Supplementary Information (Section F)

Line 4. Enter the total tuition paid out for special education students.

Line 5. Enter all tuition expenses paid to other Arizona schools or districts.

#### Current Expenses by Category (Section H)

Current expenses required to be reported include expenses from all projects for elementary and secondary education. Current expenses do not include outlays for facilities acquisition and construction, furniture, equipment, technology, vehicles, debt retirement, and expenses for nonpublic school programs (e.g., adult/continuing education, community college education, community services, etc.).

The following table presents the current expenses by account codes that should be included in each of the reporting categories. Do not include expenses coded to Program Codes 600, 700, 800, and 900.

REPORTING CATEGORY	CHART OF ACCOUNTS
Classroom Instruction excluding Classroom Supplies	(Function 1000) less (Function 1000, Object Code 6600)
Classroom Supplies	Function 1000, Object Code 6600
Administration	Functions 2300, 2400, 2500, and 2800
Support Services—Students	Function 2100
Nonstudent Support Services and Operations	Functions 2200, 2600, 2700, 2900, 3100, and 3400

A.R.S. §15-746(A)(4) requires charter schools to include the above information in their School Report Cards. ADE has issued a separate form for schools to report this information for each campus. The form is available on ADE’s Web site at <http://www.ade.az.gov/schoolfinance/Forms/Budgets/>. Be sure to save the file locally prior to completing. Expenses recorded at a school-wide level should be allocated to campuses based on student counts at each campus.

When completed, the file must be uploaded via ADE’s Common Logon, School Finance File Upload (Budget/AFR). Select “Fiscal Year: 2005”, “File Type: Excel.xls”, “Type and Version: 2005 Current Expenditures—School Level—Actual”, then locate the file to be uploaded. Click “Upload File”. This campus level form is due November 1, 2005.

Schools with only one campus that have completed the corresponding information on the submitted AFR are not required to submit this form.

## **PAGE 7, SUPPLEMENTARY INFORMATION**

### Enrollment of Gifted Pupils by Grade (Section A)

Lines 1 through 3. Enter the number of pupils enrolled in each area of identification by grade.

Line 4. Calculate the Total Duplicated Enrollment by adding the number of pupils recorded on lines 1 through 3 for each grade.

### Enrollment of Gifted Pupils by Ethnicity (Section B)

Line 6. Calculate the Total Unduplicated Enrollment by counting all pupils only once. The Unduplicated Enrollment (Section B, line 6) cannot be greater than the Duplicated Enrollment (Section A, line 4).

### Expenses for Gifted Pupils (Elementary, Secondary, and Total) (Section C)

Enter the actual expenses for all gifted programs for grades K-8, 9-12, and in total. The total expenses for all grades must agree with the actual amount recorded on line 14 of Section D of this page.

#### Special Education Programs by Type (Section D)

Supporting documentation should be retained for the allocation of expenses to individual special education programs. The total for Special Education Programs by Type should equal the total of lines 27 and 28 on page 2.

#### **PAGE 8, FEDERAL AND STATE PROJECTS**

Amounts for indirect costs, expenses, capital acquisitions, and ending balance should agree with the school's completion reports filed with the ADE Grants Management Office. In addition, the total budget and actual expenses on line 31 should agree with the total column for federal and state projects on line 36 of page 2.

#### **FOOD SERVICE PAGE**

The food service page has been included as a separate file (afr05-food service.xls). This page should be completed and submitted with the other pages of the AFR. Specific instructions for completing the page can be found in ADE's enclosed *Annual Financial Report, Food Service Instructions*.

#### **CLASSROOM SITE PROJECT REPORTING FORMS**

The Classroom Site Project Expenses by Campus and the Narrative Results Summary forms have been included in this memo so schools can meet the requirements of A.R.S. §15-977(E). The total amount reported on the Classroom Site Project Expenses by Campus form should agree to the total expenses reported for the Classroom Site Projects on the AFR pages 3 and 4. For schools with only one campus, completing pages 3 and 4 of the AFR will satisfy the requirement to report Classroom Site Project expenses by campus.

#### **FULL-DAY KINDERGARTEN PROJECT REPORTING FORMS**

The Full-Day Kindergarten Project Revenues/Expenses by Campus and the Narrative by Campus forms have been included so schools can meet the requirements of A.R.S. §15-901.02(G).

#### **FULL-DAY KINDERGARTEN PROJECT REVENUES/EXPENSES BY CAMPUS**

For schools with only one campus, completing page 5 of the AFR will satisfy the requirement to report Full-Day Kindergarten Project revenues/expenses by campus.

For capital acquisitions, enter the total increase in capital assets purchased with full-day kindergarten revenues for each campus. These amounts represent only the acquisitions made during the year.

#### **FULL-DAY KINDERGARTEN PROJECT NARRATIVE BY CAMPUS**

A form **should be completed for each campus** that receives full-day kindergarten revenues. The "CTDS Number" and "Campus Name" should be entered for each campus. Do not delete/add any work sheets. If you need more than 10 sheets, as provided, contact ADE School Finance.

Line 4a. Questions related to the assessments for full-day kindergarten pupils should be directed to an ADE Early Childhood Education specialist at (602) 364-1530 or [fulldaykinder@ade.az.gov](mailto:fulldaykinder@ade.az.gov).

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## **PRINTING**

The AFR and Full-Day Kindergarten Project reporting forms have been formatted to print on legal-size paper (8½" x 14") at "Actual Size" (100%). The Classroom Site Project report forms have been formatted to print on letter-size paper (8½" x 11") at "Actual Size" (100%). Since the minimum margin setting for your printer may differ from what was used to set up these files, a little experimentation may be needed to get each sheet to print on one page. Users should try changing the "scaling" under page setup.

If you have any questions, please call the ADE School Finance Operations Unit at (602) 542-5695, or the Office of the Auditor General, Accounting Services Division at (602) 553-0333. Questions regarding the electronic version should be referred to the Office of the Auditor General. Questions regarding electronic submission of the AFR should be referred to ADE.

MDH/VGS/ms  
Enclosures